



The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the Shareholders Meeting and Supervisory Board of Stalexport Autostrady S.A.

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements Stalexport Autostrady S.A. Group (the 'Group'), for which the holding company is Stalexport Autostrady S.A. (the 'Company') located in Mysłowice at Piaskowa Street 20, containing: the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2018 to 31 December 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2018 to 31 December 2018 in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Group and the Company's Statute.

The opinion is consistent with the additional report to the Audit Committee issued on February 27, 2019.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors (“NAS”) and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the ‘Act on Statutory Auditors’) and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the ‘Regulation 537/2014’). Our responsibilities under those standards are further described in the ‘*Auditor’s responsibilities for the audit of the financial statements*’ section of our report.

We are independent of the Group in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the ‘Code of ethics’), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| <p><i>First year audit of financial statements</i></p> <p>The consolidated financial statements for the financial year ended 31 December 2018 were audited by us for the first time.</p> <p>Considering the size and scope of operations of the Company and its subsidiaries, the key matter was to understand the Group’s organizational structure and its impact on the operating processes within the Group.</p> <p>During the audit, we performed a number of additional procedures necessary to understand and gain knowledge about:</p> <ul style="list-style-type: none"> (i) the Group's business profile and its accompanying operating processes (ii) specific risks related to the business (iii) control environment established by the Group entities and adopted policies affecting financial reporting of the Group. <p>These procedures allowed us to assess the audit risks, identify the risk of material misstatement, including inherent audit risks and control risks, determine materiality levels and the scope of audit procedures.</p> <p>In addition, as part of the first-year auditing, the purpose of our additional procedures was to determine whether opening balances contain errors that materially misstates the consolidated financial statements for the current period and whether the accounting policies applied to the opening balance were applied continuously in the preparation of consolidated financial</p> | <p><i>Audit approach</i></p> <p>Our audit procedures related to described key audit matter included among others:</p> <ul style="list-style-type: none"> • performing the kick off meeting with key personnel responsible for financial reporting of the Group as well as meetings with members of the audit team responsible for key subsidiaries from the Group perspective, including specialists planned to be involved in the audit procedures, • gaining an understanding of the control environment in the Company and entities within the Group and testing a selected controls in relation to individual processes, • understanding of the Group’s accounting policy and significant amounts included in financial statements which are based on professional judgment and estimates, • assessment of Company judgment regarding the determination of the composition of the Group, including judgment over power of control related to entities subject to full consolidation, • communication with a predecessor auditor, including discussion of key audit matters related to Group audit and review of audit documentation from the previous reporting period, • assessment of the main audit matters from the previous reporting period and assessing their impact on the Group’s financial statements for the current financial year and the opening balances. <p>The results of our procedures as well as the audit strategy have been communicated to the Management Board of the Company and the Audit Committee.</p> |

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| <p>statements for the current period, or whether the changes made therein were correctly accounted for and properly presented in accordance with the applicable financial reporting standards.</p> | |
| <p><i>Valuation of financial model determining the value of intangible assets and provisions</i></p> <p>At the reporting date the Group presents in the consolidated statement service concession intangible assets in the amount of PLN 432,7m, provisions for resurfacing the concessioned motorway in the amount of PLN 30,1m and provisions for capital expenditures related to replacement and upgrade of infrastructure (provision for capital expenditures of Phase II) in the amount of PLN 346,2m.</p> <p>Group recognized value of intangible assets and provisions based on the financial model, which are based on present value of future outflows calculated through discounting of their estimated nominal value, using long-term risk-free interest rate. All changes in estimated provision's amounts are reflected in the valuation of intangible assets and result from changes in interest rates, changes in the schedule of construction works, changes in the estimated investment outflows.</p> <p>This matter was considered to be a key audit matter for the consolidated financial statements due to the related significant accounting estimates based on financial model, as well as due to the significant value of the intangible assets and provisions presented in the consolidated statement.</p> | <p><i>Audit approach</i></p> <p>Our audit procedures related to described key audit matter included among others:</p> <ul style="list-style-type: none"> • evaluation of the accounting policy regarding recognition and valuation of service concession intangible assets and provisions, • evaluation of the identification of payments related to concession agreement and their treatment in financial model, • understanding and inquiries on the calculation methodology included in financial model, • understanding and assessment of internal controls related to recognition and presentation of the service concession intangible assets and provisions, • verification the mathematical accuracy of the applied financial model, • assessment, with the assistance of our internal experts on valuation, of macroeconomic assumptions made by the Group, • inquiries referring to the status of current and future capital expenditures, • reconciliation of source data used in financial model, • assessment of the consistency of the service concession contract provisions with the financial model, • assessment of adequacy disclosures related to service concession intangible assets and provisions in accordance with the relevant standards. |

A reference to disclosure in the consolidated financial statements

The Group disclosed key information, estimates and accounting principles related to the service concession intangible assets and provisions in note 6.3 of notes to the accompanying consolidated financial statements.

Other matters

The consolidated financial statements for previous financial year (from 1 January 2017 to 31 December 2017) were audited by an auditor acting for another authorised audit firm who issued a report on the audit on these consolidated financial statements, dated 28 February 2018.

Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the consolidated financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies and other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, The Company's Management is responsible for assessing the Group's (the holding company and significant components') ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Group (the holding company or significant components) or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these consolidated financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Group nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,
- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

We communicate with the members of the Company's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the members of the Company's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the members of the Company's Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2018 to 31 December 2018, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 55, section 2b of the Accounting Act as a separate element of the Directors' Report and the Annual Report for the period from 1 January 2018 to 31 December 2018 (the 'Annual Report'), (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the consolidated financial statements does not include the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

We have obtained the Directors' Report before the date of this auditor's report, while the Annual Report will be published after this date. If we conclude that there is a material misstatement in the Annual Report, we are required to inform the Company's Supervisory Board.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the consolidated financial statements.

Moreover, based on our knowledge of the Group and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Group has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the consolidated financial statements.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which have been provided to the Group, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Group in the audited period, have been disclosed in the Directors' Report.



Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution 09/03/2018 of Supervisory Board from March 1, 2018. We are auditing the consolidated financial statements of the Group for the first time.

Warsaw, February 28, 2019

Key Certified Auditor

Jerzy Buzek
certified auditor
no in the register: 10870

on behalf of:
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